

To: Fix Five Partnership Technical Advisory and Executive Committees
From: Jeff Kay and Robert Spencer
Date: 20 June 2007
Re: Draft Phase One Nexus Report

This memorandum accompanies the draft Phase One Nexus Report, dated June 20, 2007. The intent of this memorandum is to provide an overview of the approach behind the draft report as well as some key decision points that will come before the TAC and Executive Committee prior to completion of a final version of the impact fee report.

REPORT OVERVIEW

The nexus report is divided into four main sections:

- ◆ **Background and Summary:** This section provides background on the Fix Five Partnership and a summary of the chapters and methodology that follow. This chapter functions both as a justification for the Partnership and fee program and an executive summary of the results of the nexus study.
- ◆ **Growth Projections and the Need for Transportation Improvements:** This chapter outlines the growth projections used in the report and the expected impact of that growth on I-5 traffic conditions. This section also outlines planned I-5 improvements and the estimated project costs.
- ◆ **Nexus Analysis:** This section satisfies the *Mitigation Fee Act* requirement to draw a clear nexus between new development and the need for new infrastructure to mitigate the impacts of that development. As expected, the nexus analysis ultimately justifies impact fee amounts that are higher than what local jurisdictions are willing to adopt. Consequently, this analysis does not form the basis for recommended fee amounts. Nevertheless, it is a necessary component for complying with legal requirements associated with impact fee programs.
- ◆ **Additional Funding Sources:** This chapter reviews the broad categories of funding sources that can reasonably be expected to contribute to I-5 widening costs. This analysis is particularly important because the ultimate impact fee amounts will be based on the share of project costs that cannot be recovered from any other sources. These fee amounts will be lower than those presented in the nexus analysis, and therefore will be defensible under the *Mitigation Fee Act*.

TAC AND EXECUTIVE COMMITTEE DECISION POINTS

In order to complete a final version of the fee report with recommended fee amounts, the Partnership seeks guidance from the committees on the following items:

- ♦ **Preferred External Trip Adjustment Scenario:** The nexus analysis is used to determine the share of project costs that can be attributed to new development within the project area. A key step in this process is identifying the share of costs that is associated with external, or interregional travel, and therefore cannot be recovered through impact fees charged to local development.

Beginning on Page 25, the report outlines three sets of assumptions that could be used to define the share of I-5 traffic that results from external trips. The final report should present only one scenario (either in absolute terms or a range). Note that this decision will impact the nexus results but not the ultimate fee amounts. Nevertheless, it is important that the assumptions on which the nexus is based are acceptable to local decision makers.

- ♦ **Outside Funding Alternatives:** As noted above, the availability of outside funding sources drive the fee amounts that will be recommended in the final fee report. Therefore, it is imperative that all Partnership agencies are comfortable with the assumptions laid out in this section (beginning on Page 31). Overly conservative assumptions will yield higher fee amounts, while overly aggressive assumptions will result in a funding plan that under-funds the planned improvements.

The use of funding alternatives is further complicated by the Partnership's desire to implement comparable fee amounts in both counties. Because Tehama County has higher improvement costs and less projected development, the nexus analysis suggests that considerably higher fees can be justified in Tehama County. To achieve similar fees amounts, therefore, the Partnership will need to arrive at funding assumptions that vary between the two counties. The report outlines some components of the Tehama improvements that are likely to receive high levels of outside funding, but the final funding scenarios presented in the next version of the report should be reviewed and approved by both committees.

- ♦ **Implementation Guidelines:** The report presents only preliminary guidelines on implementation of the Phase One program. The committees should consider implementation guidelines for fee collection (such as EDU factors by land use), control of revenues, and potential expenditure plans. An MOU is the recommended mechanism to govern fee implementation.